

Washington State Auditor's Office
Audit Report

Aberdeen School District
Grays Harbor County

Audit Period
September 1, 1997 through August 31, 1998

Report No. 60211

Issue Date
May 28, 1999



Washington _____
State Auditor

Brian Sonntag

Audit Summary

**Aberdeen School District
Grays Harbor County
September 1, 1997 through August 31, 1998**

ABOUT THE AUDIT

This report contains the results of our annual independent audit of the Aberdeen School District for the period September 1, 1997, through August 31, 1998.

We performed audit procedures to determine whether the Aberdeen School District complied with state laws and regulations and its own policies and procedures. We also audited the financial statements and evaluated internal controls established by District management. Our work focused on specific areas that had potential for abuse and misuse of public resources.

RESULTS

The Aberdeen School District complied with state laws and regulations and its own policies and procedures in the areas we examined. The District's financial statements were complete and accurate.

Table of Contents

**Aberdeen School District
Grays Harbor County
September 1, 1997 through August 31, 1998**

Description of the District	1
Audit Areas Examined	2
Audit Overview	4
Independent Auditor's Report on Compliance and Internal Control over Financial Reporting in Accordance with Government Auditing Standards	5
Independent Auditor's Report on Financial Statements	7
Financial Statements	9

Description of the District

Aberdeen School District Grays Harbor County September 1, 1997 through August 31, 1998

ABOUT THE DISTRICT

The Aberdeen School District provides educational services to 3,769 students in Grays Harbor County. Day-to-day operations are administered by a Superintendent, who reports to a five-member Board. School Board members are elected to staggered, four-year terms. The District operates on a \$23.9 million annual budget and has 499 employees. It has one high school, one middle school, one alternative school and six elementary schools. The District's bus service is provided by the Hoquiam Transportation Cooperative, which is operated by Hoquiam School District.

ELECTED OFFICIALS

These members of the Aberdeen School District served during the audit period:

School Board:

Position 1	Frank Moses
Position 2	Rhonda Hutchings
Position 3	James Brown
Position 4	Jim Mason
Position 5	Sandra Bielski

APPOINTED OFFICIALS

Superintendent	Karen Koschak
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ADDRESS

District	216 North "G" Street Aberdeen, WA 98520 (360) 538-2000
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Audit Areas Examined

Aberdeen School District Grays Harbor County September 1, 1997 through August 31, 1998

In keeping with general auditing practices, we do not examine every portion of the District's financial activities during each audit. The areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. Other areas are audited on a rotating basis over the course of several years. The following areas of the District were examined during this audit period:

LEGAL COMPLIANCE

We audited the following areas for compliance with certain applicable state and local laws and regulations:

- Open public meeting laws
- Bid laws
- Associated Student Body operations
- Ethics/conflict of interest
- Budgeting requirements
- Statutory debt limit
- Enrollment report
- Paying prevailing wages
- Reporting of staff experience and education (staff mix)

INTERNAL CONTROL

We evaluated the following areas of the District's internal control structure:

- Cash receipting
- Accounts payable
- Disbursements/warrants
- Payroll
- Reporting
- Purchasing

FINANCIAL AREAS

In addition to the financial-related work listed in other categories, we audited the following areas:

- Revenue such as state apportionment, grants, taxes and locally generated
- Long-term debt
- Payroll
- Overall presentation of financial statements
- Expenditures including payroll costs and vendor payments
- Cash and investments
- Taxes receivable
- Accounts receivable

FEDERAL PROGRAMS

We audited the District's federal programs as part of our Washington Education System Single Audit Pilot project. The pilot project is an annual, statewide audit of federal programs administered by school districts, educational service districts and the Office of Superintendent of Public Instruction (OSPI).

Because it is not practical to test federal programs at every school district included in the pilot project each year, we schedule our fieldwork to cover each district at least once every four years. Although Aberdeen School District's programs were not examined during the current year, the District has met its federal audit responsibilities under OMB Circular A-133.

Audit Overview

Aberdeen School District Grays Harbor County September 1, 1997 through August 31, 1998

AUDIT HISTORY

We typically audit the Aberdeen School District every year. There has been one finding in the past three audit reports for Aberdeen School District.

The 1994 audit contained one finding regarding overclaimed federal grant expenditures for the National School Lunch program. The overclaimed amount was later remitted to the state Office of the Superintendent of Public Instruction.

District's management is committed to strong internal controls and compliance with applicable statutes. The District is responsive to any audit recommendations made by our office. Audit concerns are often discussed, addressed and resolved before completion of our audit.

CONCLUSIONS

In the areas we audited, we found Aberdeen School District complied with state laws and regulations and its own policies. We also determined the District's financial statements were accurate and complete.

In particular, our testing showed the District complied with reporting regulations of major areas that affect the District's state funding:

- Enrollment counts of students in Basic Education.
- Reports of teacher experience and education.

We thank District officials and personnel for their assistance and cooperation throughout the audit.

Independent Auditor's Report on Compliance and Internal Control over Financial Reporting in Accordance with Government Auditing Standards

Aberdeen School District Grays Harbor County September 1, 1997 through August 31, 1998

School Board
Aberdeen School District
Aberdeen, Washington

We have audited the financial statements of the Aberdeen School District, Grays Harbor County, Washington, as of and for the year ended August 31, 1998, and have issued our report thereon dated February 22, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As described in our report on the financial statements, our opinion is qualified because the district omitted the general fixed asset account group from its financial statements, which is a departure from generally accepted accounting principles.

COMPLIANCE

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatements, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. We also performed additional tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the District complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office. Our responsibility is to examine, on a test basis, evidence about the District's compliance with those requirements and to make a reasonable effort to identify any instances of misfeasance, malfeasance or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the District and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

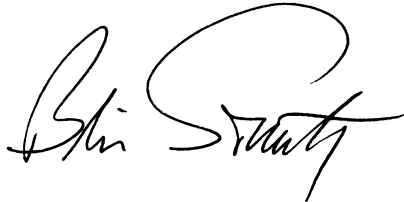
The results of our tests disclosed no instances of material noncompliance that are required to be reported herein under *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the School Board and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag", with a large, stylized loop at the end.

BRIAN SONNTAG, CGFM
STATE AUDITOR

February 22, 1999

Independent Auditor's Report on Financial Statements

Aberdeen School District Grays Harbor County September 1, 1997 through August 31, 1998

School Board
Aberdeen School District
Aberdeen, Washington

We have audited the accompanying financial statements of the Aberdeen School District, Grays Harbor County, Washington, as of and for the year ended August 31, 1998. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

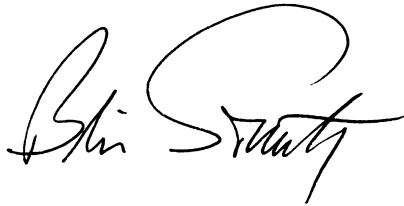
The financial statements referred to above do not include the general fixed asset account group, which should be included in order to conform with generally accepted accounting principles. The amount that should be recorded in the general fixed asset account group is not reasonably determinable.

In our opinion and except for the effect on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Aberdeen School District as of August 31, 1998, and the results of its operations and the cash flows of its nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 1999, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The District has not presented the disclosures required by Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by Governmental Accounting Standards Board Technical Bulletin 99-1, that the Governmental Accounting Standards Board has

determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the District is or will become year 2000 compliant, that the District's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the District does business are or will become year 2000 compliant.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with a large loop at the end of the last name.

BRIAN SONNTAG, CGFM
STATE AUDITOR

February 22, 1999

Financial Statements

**Aberdeen School District
Grays Harbor County
September 1, 1997 through August 31, 1998**

FINANCIAL STATEMENTS

Combined Balance Sheet – All Fund Types and Account Groups – 1998
Combined Statement of Revenues, Expenditures and Changes in Fund Balances –
 All Governmental Fund Types and Expendable Trust Fund – 1998
Combined Statement of Revenues, Expenditures and Changes in Fund Balances –
 Budget and Actual – All Governmental Fund Types – 1998
Combined Statement of Revenues, Expenses and Changes in Fund Balances –
 All Nonexpendable Trust Funds – 1998
Combined Statement of Cash Flows – All Nonexpendable Trust Funds – 1998
Notes to Financial Statements – 1998